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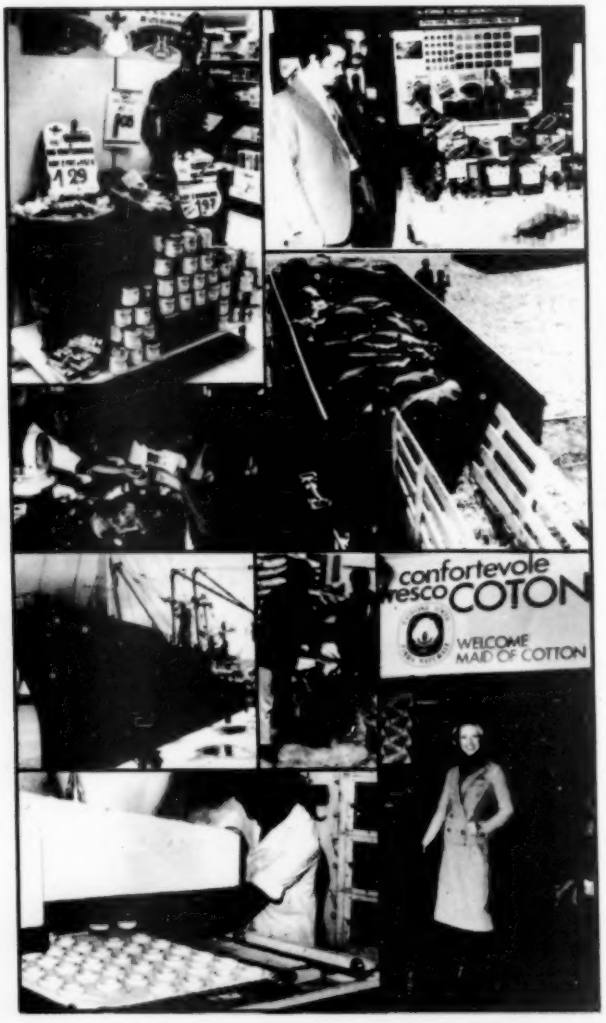
Promoting U.S. foods in Japan—one of the many markets reached by USDA's market development program.

Market Development Initiatives Mark Drive To Boost Farm Exports

To meet the challenges posed by a $27-billion U.S. trade deficit and low farm prices, the U.S. Department of Agriculture is expanding and redirecting its foreign market development program. Launched two decades ago, the program has been a major force behind the sixfold gain in U.S. farm exports since fiscal 1958, but today's farm and trade problems call for even greater efforts if U.S. agriculture is to maintain its ascendancy in the world market.



With U.S. farm stocks and prices reflecting 3 straight years of record or near-record production, increased attention is being focused on exports as one answer to the problems of low farm prices in this country and a mammoth deficit in overall U.S. trade.

U.S. agricultural exports may total a record volume in fiscal 1978 (October-September), but their dollar value will be somewhat below last year's record $24 billion as a result of reduced unit prices.

U.S. policymakers want to do better, not only this year but in terms of long-term trade growth. Agriculture Secretary Bob Bergland has said that U.S. agricultural trade interests should "spend every waking hour on promoting exports." Congress authorized a $2-million increase for market development in fiscal 1978 from the $13.5 million available to industry cooperators in fiscal 1977. And the U.S. Department of Agriculture (USDA) has put new muscle behind the words by stepping up foreign market development and more than doubling credit available to foreign importers under the Commodity Credit Corporation (CCC) program.

This expanded effort, to be implemented over the next few years, focuses on four new action areas:

- Long-term planning of 5-year marketing programs;
- Opening of FAS trade offices in key country and regional markets;
- Possible establishment of a new intermediate credit program; and
- Expansion of market development activities into new regions.

By Beverly Horsley, Associate Editor, Foreign Agriculture.

Long-term planning will be on a country/commodity basis, drawing on existing expertise both within and outside Government.

According to Kelly Harrison, USDA's General Sales Manager and Foreign Agricultural Service (FAS) Assistant Administrator for Market Development, increased planning of Government-funded market development activities will mean: "Examining all facets of a foreign market—the country's import needs and product standards; social, political, and economic factors that might affect demand and marketing strategies; constraints of the marketing system and how they can be overcome; and available sources of financing."

Better coordination of market promotion work of FAS and the Office of the General Sales Manager will be included in the 5-year framework. For instance, planning will involve an examination of credit available through the Department of Agriculture—Public Law 480, CCC credit (GSM-5), and the proposed intermediate credit program—to make these tools more readily available for market development.

Trade Offices in Key Cities

The overseas offices will be opened in as many key markets as funding permits. The goal is to have 15-18 such offices eventually, but only a few will be opened within the near future owing to budgetary limitations. Such offices will be supervised by U.S. Agricultural Attachés, but located apart from the embassies to facilitate business transactions. In some cases, they may be outside the capital cities in major commercial centers.

The intermediate credit program probably will offer credit for 5-10 year periods

Far left, offloading U.S. cattle destined for a ranch in Spain. Left, U.S. foods are featured at a point-of-purchase promotion in a Swedish supermarket.

to countries that are too highly developed to qualify for long-term P.L. 480 funding but not ready yet for 3-year–maximum CCC credit or cash purchases. This program will offer opportunities to finance improved port facilities, reserve storage, and distribution facilities, thereby increasing total demand in a market. It also will be useful in financing imports of U.S. breeding cattle and products for which more than 3 years are needed to get a reasonable return on investment.

In the meantime, credit gaps will be diminished considerably by the more than doubling of CCC credit (GSM-5) available during fiscal 1978—from $750 million originally budgeted to $1.7 billion.

Ready availability of this credit for markets where there is an immediate need is vital. "There are actions that we ought to be taking now," said one top USDA official. "We shouldn't be in a position of having to tell customers to wait for decisions, but instead must get into the commercial mode of doing business."

In addition, a noncommercial risk assurance program on shipments has been developed to make more private financing available for U.S. exports. The program will get underway with a pilot project for cotton this month.

Efforts also will be made to apply foreign currencies earned under the concessional sales program of P.L. 480 toward market development, as well as toward improving internal agricultural distribution in P.L. 480 markets. In the past, both the physical and managerial limitations of such systems have restricted the flow of trade in developing countries, not only cutting into U.S. marketing opportunities but also hindering food distribution in times of emergency.

Expansion of market development into new areas will take U.S. cooperators and FAS trade shows beyond the traditional sphere of operation in Western Europe and Japan into new markets in Asia, Africa, and Latin America.

New Markets Sought

This shift is the natural outgrowth of two decades of rapid U.S. gains in agricultural exports to major developed markets. Such countries have the buying power and consumer demand to sustain their large imports, and must be serviced carefully if the United States is to maintain its competitive position vis-a-vis other agricultural exporters. But they no longer can be considered rapid growth markets, while many U.S. agricultural exporters are already well-established there and not in need of Government market development assistance.

Yet in the recent past, more than 60 percent of U.S. market development funds were spent in Europe and Japan alone.

"We already have relatively good information and marketing networks in the big commercial markets," said Dr. Harrison. "We need to look increasingly at emerging countries, such as the Arab nations and other places where the people are and the potential demand lies."

The Middle East and North Africa, with their tremendous petroleum incomes, are major targets for U.S. exporters of products running the gamut from wheat, feedgrains, rice, and soybeans to frozen poultry, beef, fresh fruits and vegetables, and processed foods.

Heavily populated nations here, such as Iran and Egypt, are rated as the best outlets for grains and other bulk products. Saudi Arabia and other lightly populated but wealthy nations on the Arabian Peninsula have developed into promising new markets for U.S. consumer-

ready food products.

The centrally planned countries—particularly the USSR and those in Eastern Europe—recently have been among the fastest growing markets in the world for U.S. farm products. U.S. agricultural exports to these countries rose more than 14-fold between calendar 1970 and 1976 to $3 billion.

Moreover, Eastern Europe and the USSR are seen as areas with much additional potential for growth in the livestock and feed sectors. Virtually all nations here are working to expand their livestock industries and to introduce modern livestock feeding techniques. But many are deficient in the needed feedgrains, most lack high-protein ingredients such as soybean meal, and virtually all need better breeding stock.

Still another region of promise is Southeast Asia. Singapore, with its well-developed port and handling facilities, can serve as a gateway to the region as a whole. The big payoff, however, may come in places such as Indonesia, with its 132 million people, gradually rising incomes, and wealth of raw materials.

India and Pakistan on the South Asian subcontinent have the populations to boost demand greatly with every fractional gain in spending power. Moreover, an improved foreign exchange position in India—alongside recent crop setbacks—already has led to striking import increases in selected products, including U.S. cotton and vegetable oils.

In sub-Sahara Africa, mineral-rich nations such as Nigeria are stepping up agricultural imports. And in South America, Venezuela and Ecuador are rapidly investing increased petroleum incomes on upgrading diets and importing more of the food needed to bring about these changes.

To tap this potential of both new and established markets, the numerous U.S. groups that cooperate with FAS in foreign market development are stepping up activities in the more than 80 countries reached by their programs. These groups include 43 nonprofit agricultural trade organizations carrying out long-term projects, 19 cooperators on periodic projects, and 13 private groups (largely farmer-owned cooperatives).

In addition, FAS works with State Departments of Agriculture and regional State groups in overseas market development. And the industry groups, called "cooperators," work with 1,653 foreign cooperators, as well as with foreign governments and institutions.

Undertakings by cooperators include:

- Plans by the U.S. Meat Export Federation (USMEF), an FAS cooperator since February 1976, to open an office this year in Western Europe and possibly one in the Middle East at some later date. Its first office opened last year in Tokyo.

Thanks in part to aggressive promotion of U.S. red meat by Federation representatives, U.S. exports of livestock and livestock products during fiscal 1977 exceeded imports of such products for the first time in history. Like other cooperators, USMEF also has made an important input into U.S. preparations for the multilateral trade negotiations now underway in Geneva, providing information on how duties, import quotas, variable levies, and other restrictions affect U.S. livestock product exports.

- Stepped-up promotion of soy proteins as food. Last month, the American Soybean Association, the Food

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DOING BUSINESS IN JAPAN—A TRADE OFFICE HELPS

Getting a foothold in a foreign market can be tough anywhere, but particularly so in Japan, where language barriers, trade restrictions, differing social customs, and an almost incomprehensible marketing system pose obstacles at every turn for the U.S. agricultural exporter. Such exporters can, however, gain marketing assistance from the U.S. Market Development Office in Tokyo—part of the U.S. Agricultural Attaché Office there and a possible prototype for the agricultural trade offices now being contemplated for major and emerging markets throughout the world.

John Glew, former coordinator of the Tokyo Market Development Office,[1] recently talked to *Foreign Agriculture* about the functions he envisions for the new trade offices and about those now being carried out in Tokyo.

Glew sees the new offices as "one-stop information centers" to assist cooperators, State groups, and private trade entities who have no base of operation in a country. Such an office, he said, "would probably have a couple of extra desks and phones, a conference room, and personnel that are highly marketing oriented."

The office also would serve as a "shopping center" for importers attempting to locate U.S. sources of supply by product lines.

This year, lack of funds will limit the opening of new offices to one or two in countries where market development staffs already exist. But the hope is that eventually such offices can be opened in 15-18 key cities in Western Europe, Southeast Asia, Africa, Latin America, the Mideast, and Eastern Europe.

"The existing Market Development Office in Tokyo," said Glew, "serves as an anchor station for FAS agricultural cooperators, State representatives, and tradespeople—a place to come to for assistance in gaining market orientation, making appointments, and lining up interpreters. It also is a place for them to leave their samples, excess papers, and other materials, and receive messages while they are out on calls."

Some of the other services offered at the Tokyo office—which is staffed by the American marketing director, two local marketing assistants, and an administrative assistant—include help with customs and label clearances, arranging testing of products new to the market, developing trade contacts, and acting as a liaison between the local trade and

[1] **Mr. Glew recently was reassigned to the Export Trade Services Division, Foreign Market Development, FAS.**

U.S. agricultural exporters.

The Tokyo office also is responsible for the several trade shows and point-of-purchase (POP) promotions sponsored each year in Japan. Glew said that these usually include two U.S. trade shows each year, such as the Harumi/Tokyo show in March 1977 that boasted 74,000 visitors, $3.2 million worth of onsite sales, and the resulting appointment of seven new agents for U.S. firms . . . or the Red Meat and Poultry Show held in October 1976 at the U.S. Trade Center in Tokyo, with a resulting $2.1 million in onsite sales for the 20 commercial exhibitors and two cooperator exhibitors.

Other statistics quoted by Glew (for fiscal 1974-77) included: 480 inquiries about U.S. products through the Trade Opportunity Referral System of FAS, 365 follow-up calls to see if Japanese trade members got what they wanted; and 978 product labels submitted for clearance to the Ministry of Health. The trade inquiries resulted in $8.2 million worth of sales. Four hundred and fifteen of the labels were cleared, 401 approved with modifications, and 162 rejected.

"This all takes time," said Glew. "Somebody has to contact the Ministry to find out if the product can be brought in. You may get an answer like the one on dehydrated potatoes, where they said: 'Yes, you can bring them in, but they can be treated with only 30 parts per million of SO_2 (a preservative).' Here in the United States, we preserve the product with approximately 300 parts per million."

Then there were the POP promotions staged in 84 supermarkets and the so-called food halls of 41 department stores during 1976 alone, with a resulting sales increase of about $500,000.

How does the office go about putting on these shows and exhibits?

Requests for POP promotions are often generated by the stores themselves, according to Glew, who said that the office then consults with U.S. cooperator groups and agents representing U.S. firms to see if they are interested in participating. Those groups wishing to participate may offer price concessions to make their products more attractive and hire personnel to demonstrate products and assist salespeople in the stores.

FAS, in turn, supplies promotional materials, such as corrugated wraparound material to "dress up" display areas; reusable collapsible bins in which to display products; banners, posters, die cutouts, price cards, and, in several instances, plastic Western-style cowgirl hats—all bearing the FAS export symbol.

"We require only one thing: Sales figures on the products being promoted prior to the POP, during the promotion, and for a month to 6 weeks afterwards to assist in evaluating the impact of our undertakings," Glew said.

Putting on the one or two U.S. trade shows held each year in Japan also requires considerable preplanning and coordination between Tokyo and Washington.

Usually participating in such shows are American firms, FAS market development cooperators, State representatives, and representatives from one or more of the five regional groups that

Top to bottom: U.S. poultry at an in-store promotion; a food show at the U.S. Trade Center in Tokyo; and promoting doughnuts fried in soybean oil.

now promote U.S. farm products overseas.

Troubleshooting to smooth out the tieups, misunderstandings, and other problems that arise during these diverse activities also is an important part of a trade office job.

For instance, said Glew: "Sometimes you inform an exporter that a product is not allowed entry into a country, but he ships it anyway. So here we are, representing the American Government—with its own regulations and phytosanitary restrictions—and in a sense we're party to an illegal action in the eyes of a foreign government." He added that such cases are rare, but when they do arise, must be dealt with swiftly.

Other difficulties stem from lack of familiarity with the complicated Japanese marketing system and way of doing business.

Glew said that Japan's distribution system is unbelievably complicated and costly because of the many middlemen involved. "The system often starts with import duties; then there are the trading companies that automatically may slap on markups of 25 percent or so for the products on which they hold exclusives, followed by something for everybody else handling the products thereafter to the point of sale.

"In the end, you have products that can be bought in Hong Kong or Singapore for 33-80 percent of what you pay in Japan."

This, of course, affects consumption patterns. For meats, Japan's annual per capita consumption is about 75 pounds of fish and sea food, 23 of pork, 18 of poultry, and only 8 of beef.

While all meat is more expensive in Japan than in the United States, beef can go as high as $50 per pound, and most of it is in the $10-$20 range. This is part of the reason why the Japanese consume so little beef and veal, compared with over 125 pounds a year in the United States. Moreover, beef imports are limited by a quota and most imports come through a quasi-Government organization, further adding to the retail price. "Naturally we could sell far more if the quantity permitted to enter and price were not rigged in this manner," said Glew.

Glew said that most U.S. businessmen "sincerely try to get a handle on the Japanese market before they get there and, of course, also after they've arrived in Japan. But probably the thing that hinders them most is their lack of patience in dealing with Japanese importers. The Japanese are very patient and perceptive people, astute in business matters. They study everything thoroughly, which takes time and is often an irritation to the U.S. exporter hoping to make a sale on the spot.

"But once the exporter has returned home—and perhaps given up on making the sale—the letters of inquiry may start coming in, asking for more details and sometimes making recommendations on how the product or packaging could be modified to Japanese tastes. Consequently, the American exporter is oftentimes not ready to service the Japanese buyers, who by this time may be talking in very large figures. And when the Japanese are ready, the exporter had better be ready if he wants to make a sale," Glew concluded. □

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Protein Council, and FAS sponsored a Soy Protein Seminar in Singapore, where food uses of soy protein and feed uses of soybean meal were discussed. Similar seminars were held last year in Eastern Europe and the USSR—one of the strong growth areas for U.S. exports of soybeans and meal.

• Reactivation of a market development program for U.S. peanuts following a shortfall in Indian peanut production last year and consequent price increases on the world market. The expanded program will include a 12-month market test in the United Kingdom of American-type peanut butter produced entirely from U.S. peanuts.

• Launching by the U.S. Feed Grains Council of a modern feedlot demonstration in Poland, with beef feeding trials using various levels of corn and grain sorghum. The potential payoff: Increased sales of U.S. feedgrains to Poland and refinement of a prototype system that can help overcome environmental problems associated with feedlots.

• Expanded export promotion activities by the American Seed Trade Association (ASTA). Exports of U.S. planting seed, up 19 percent last year, continue to expand dramatically in areas such as the Middle East, which has been targeted by ASTA for special promotional efforts. For example, exports to Iran have risen by over 60 percent since promotional activities were begun in that country.

• The recent opening of a new office in Morocco to promote U.S. wheat in North Africa and the Middle East and the planned opening of an office in Singapore to promote U.S. feedgrains in Southeast Asia. (Currently, U.S. grain cooperators alone have some 20 offices located in overseas markets.)

In addition, new offices are planned for U.S. oilseeds and products in the Mideast, cotton in the Far East, and poultry in the Caribbean.

Complementing these undertakings will be activities by FAS, carried out both independently and in cooperation with industry, State, and regional groups.

Some New Initiatives

FAS is considering bringing foreign national employees of U.S. embassies to the United States to consult with and advise U.S. agricultural firms on ways to comply with the often-strict and ambiguous food and health laws in foreign markets. It is planning a feasibility study into introducing gourmet packets and specialty items at duty-free shops in major international airports and ports of call. And it has scheduled for fiscal 1978 some 18 solo U.S. trade shows, five attaché product displays, two hotel-restaurant-institution shows, two catalog shows, three livestock/feedstuff shows, eight sales team trips to foreign markets, and a host of point-of-purchase (POP) promotions in supermarkets and department stores.

These activities include solo U.S. food exhibits in Italy, Japan, Switzerland, Sweden, West Germany, the United Kingdom, France, Venezuela, and the Philippines; attaché displays of food products in Guatemala and Colombia; livestock/feedstuff shows in France and Italy; and participation in international food shows in the United Kingdom, the Netherlands, and West Germany.

Such shows often generate onsite sales of over $1 million apiece and as much or more than that in follow-up sales of U.S. food and agricultural products. More importantly, they are an in-

valuable means for U.S. trade representatives—especially those new to a market—to make overseas trade contacts and line up agents and distributors for their products.

Also, sales teams made up of six to eight representatives from U.S. food firms already have traveled—or will—this fiscal year to Indonesia, Fiji/New Caledonia, Egypt, Norway, the Netherlands Antilles, Trinidad, the Canary Islands, and Iran to seek agents and industry representatives for their food products.

(For a partial listing of 1978 exhibits and teams see *Foreign Agriculture*, Nov. 21, 1977. An updated listing may be obtained from the FAS Export Trade Services Division, U.S. Department of Agriculture, Washington, D.C. 20250.)

FAS encourages regional and State groups to participate in many of these activities. It also supports efforts such as the Reverse Trade Show being mounted this week (Feb. 16-18) in New Orleans by the Southern United States Trade Association (SUSTA)—an export-oriented organization made up of the 15 southern States from Texas to Maryland.

More than 90 U.S. firms will be exhibiting their products at the show to an estimated 150 foreign buyers from more than 40 countries. Such an undertaking permits U.S. firms to test the trade without ever leaving the United States.

Above, the first all-U.S.-wheat cargo to be shipped to Malaysia—the result of market development efforts there. Left, a promotion of U.S. almonds at U.S. food show in Cairo.

Food Studies Assess Demand

In addition, FAS, in cooperation with State Departments of Agriculture, is conducting food studies in Latin America, the Middle East, the Far East, and Africa to assess potential demand for a host of consumer-ready products.

Such studies are the first step in a market development program, as they determine if indeed there is potential for U.S. foods in a given market and point out trade restrictions, consumption habits, and marketing practices that will affect such exports.

Despite this multifaceted program, the United States cannot afford to be complacent about its agricultural export trade. "We are not operating in a vacuum," said Dr. Harrison. "A number of other nations need agricultural export earnings just as badly as we do and are employing innovative promotion techniques to sell their products overseas."

Among the competitors: Australia, Brazil, Argentina, South Africa, Israel, and the European Community. These and other leading U.S. competitors together spent more than $146 million on promoting farm products during fiscal 1976, a gain of 3.5 percent above the previous year's level and of 56.9 percent above the previous decade's.

The United States, by comparison, spent $20.7 million on market development during fiscal 1976, against $15.2 million a decade earlier, with most of the increase contributed by U.S. cooperators. And this country's gross outlay for market development amounted to only 0.10 percent of agricultural export earnings in fiscal 1976. By comparison, Israel that year spent 1.54 percent of its export earnings on market development, and Australia, 1.10 percent.

"To meet this competition, we have requested more money for U.S. market development," said Dr. Harrison. "In addition, we must be constantly alert to changing market conditions, imaginative in our promotional programs, aware of foreign buyers' needs and foreign markets' import regulations, concerned always about product quality, and willing

to service foreign customers year in and year out."

With the return of agricultural abundance recently following exceedingly short world grain supplies during 1973 and 1974, all leading agricultural exporters have found the competition increasingly tough in foreign markets. The difficulties are evidenced by low world prices for grains and other commodities, reactivation of U.S. setaside programs for wheat and feedgrains, and use of export subsidies and other incentives by some nations seeking to gain a marketing advantage.

A comparable situation in the 1950's led to enactment of the Agricultural Trade and Assistance Act of 1954, or Public Law 480 as it is commonly called.

P.L. 480 called for concessional shipments of U.S. farm products to developing countries under either local currency sales or long-term loans repayable in convertible currencies or dollars. Local currencies have been spent largely within recipient nations.

Since the program's inception, some $26 billion worth of U.S. farm products have been shipped under P.L. 480 to recipient nations. And foreign currencies generated under P.L. 480 have been used in part to help finance overseas market development, contributing to transition of many markets from P.L. 480 imports to large cash purchases of U.S. farm products.

Market development began in 1955 with a joint program between FAS and Cotton Council International (CCI)—FAS's first industry cooperator. During the ensuing years, market development efforts such as wheat milling and baking schools and seminars helped bring about the shift from a rice-based diet to wheat and other Western foods in Japan—in fiscal 1977 a $3.9-billion market for U.S. farm products—and sparked similar trends in other Far Eastern nations.

There, as elsewhere, consumers also begin eating more red meat and poultry, prompting livestock producers to adopt the modern feeding techniques necessary to satisfy demand.

U.S. Cooperators Are Active Worldwide

Feeding demonstrations and seminars by the U.S. Feed Grains Council, the American Soybean Association, and the National Renderers Association helped to spark these shifts in France, West Germany, Italy, Spain, and other West European nations; in Japan, Taiwan, South Korea; and—more recently—in Eastern Europe, the USSR, and the Middle East.

Other U.S. cooperator groups, often taking advantage of FAS-sponsored trade shows and point-of-purchase promotions, have familiarized the foreign consumer with everything from blueberries to almonds, popcorn, baby food, avocados, Maine lobster, and wild rice.

At times, the changes in consumption and production —and, more importantly, in government import regulations—have been detrimental to U.S. exports of certain products. But U.S. exporters have been quick to adapt to new conditions.

For instance:

- At the same time that Japan was developing its own poultry industry, market development activities to increase poultry meat consumption were underway. This led to a larger consumer market to accommodate the increased domestic production, as well as increased imports of U.S. poultry products. Today, Japan is one of the largest overseas markets for U.S. poultry meat and egg products.
- With the diminishing of sales opportunities in Western Europe and other traditional markets, the U.S. market development program for cotton shifted its efforts toward the lucrative Far Eastern market, which now accounts for 80 percent of total U.S. cotton exports. Cotton Council International, the FAS cooperator, has directed its attention toward servicing this area and has under consideration a centrally located Far Eastern office to facilitate these activities.
- U.S. citrus fruit exporters cooperating with FAS likewise have focused increasingly on the Far East—and Japan in particular—in response to increased demand there at a time of intensifying competition in West European markets. They also have worked with FAS for removal of Japanese import quotas on citrus.

These ongoing and prospective market development efforts, in the words of Agriculture Secretary Bergland, "are important now because of the U.S. trade deficit. And they will continue so over the long run because of the growing U.S. role as a food supplier.

"The centerpiece of our agricultural export policy is the development of trading relationships that can endure. World food requirements will probably double in 35 years. If these demands are to be met, we cannot have feast or famine . . . we must do the best job possible." □

U.S. Agricultural Exports: Total and Some Rapidly Growing Markets 1976/77 With Comparisons [1]

Market	1967/68	1968/69	1975/76	1976/77	Increase over 1967/68
	Mil. Dol.	*Mil. Dol.*	*Mil. Dol.*	*Mil. Dol.*	*Percent*
Japan	913.1	866.6	3,408.5	3,773.5	313
Netherlands [2]	492.7	401.7	1,741.5	2,178.8	342
West Germany [2]	413.1	385.9	1,619.1	1,933.0	368
USSR	5.7	10.83	1,852.7	1,063.4	18,556
Rep. of China	123.6	107.2	516.2	612.3	395
Mexico	76.9	85.7	380.5	608.4	691
Spain	157.6	130.9	658.3	595.0	278
Egypt	7.7	14.2	415.2	563.5	7,218
Iran	11.8	9.6	161.8	452.9	3,738
Portugal	17.5	15.5	266.7	373.8	2,036
Nigeria	12.6	20.1	128.8	221.7	1,660
Greece	17.9	22.0	131.4	160.1	794
Romania	.9	3.8	137.6	118.0	13,011
OPEC [3]	247.8	294.8	1,286.5	1,646.1	564
World	6,331.0	5,751.0	22,760.0	24,013.0	279

[1] Years beginning October 1. [2] Because of transshipments, the value of exports is overstated, especially in later years. [3] Organization of Petroleum Exporting Countries.

Spain's Edible Oil Marketing Regulation May Be Opposed

Spain's edible oil marketing regulation for 1977/78, released informally in early November by the Minister of Agriculture, but not officially promulgated until January 28, 1978, is expected to be observed reluctantly by Spanish olive oil producers. And the edict may make U.S. soybean farmers unhappy since it further restricts consumption of seed oils from crushed oilseeds (mainly soybeans), and imposes a fee, possibly an increase in the import duties, on soybean oil imports.

The United States supplies most of Spain's soybeans. In 1976, Spain imported 70 percent of its import requirements from the United States, most of the remainder from Brazil.

During September-December, the first 4 months of the September 1977-August 1978 crop year, U.S. exports of soybeans to Spain were 527,904 tons, valued at $111.1 million. In the same 4 months of the 1976/77 crop year, the totals were 351,892 tons and $87.8 million. U.S. soybean exports to Spain for all of 1976/77 totaled 1.03 million tons, valued at $289 million.

Released at a news conference the day after the regulation was approved by the Council of Ministers, the ruling will:

- Set the soybean oil consumption level at 10,000 metric tons per month, and eliminate the consumption subsidy—originally established to help lower income groups—from which this oil has benefited, said to amount to Ptas4 billion per year. (Equivalent to $48.2 million, based on the exchange rate of Ptas82.90=US$1.)
- Establish a fee to be levied against imported soybean oil.
- Leave the use of soybeans for animal feeding unaffected.
- Set the price for olive oil, effective January 1, 1978, at about Ptas96 per kilogram, equivalent to Ptas 120 per liter to the consumer. It would also set the price for soybean oil at Ptas70 per liter (which had already been raised 26 percent July 23, 1977, to protect the market for higher priced olive oil) and for sunflowerseed oil at Ptas87 per liter.
- Make mandatory the bottling of all edible oil for the retail trade, a move to prevent fraudulent blending of edible oils, particularly olive oil.
- Establish an oil olive tree improvement program for which Ptas2 billion ($24.1 million) was set as the original allocation.

Many oilseed crushers believed that the reduction from the 170,000-ton soybean-oil-consumption quota in 1976/77 to 1977/78's 120,000 tons would be felt immediately. But there was confusion over the Minister's statement that the regulation would not affect soybean meal use for animal feeding. Some thought this ruling could be interpreted to mean that the Government would not place any barriers in the way of soybean imports for crushing.

And there was doubt as to what the Government would actually save if it removed the consumption subsidy on soybean oil. It was generally believed that the maximum soybean-oil selling price of Ptas62—in effect since July 1977—had been high enough that no subsidization was required, hence the Ptas4 billion annual savings may be more hypothetical than real.

The prices stated by the Minister for the various oils also created some confusion. Some believed the Ptas96-per-kilogram price for olive oil was the new support price. During the previous marketing year, the olive oil support price was in the range of Ptas79.25 to Ptas 80.75 per kilogram, depending on the type of oil. Farmer organzations had urged the 1977/78 support price be set between Ptas120 and Ptas152 per kilogram.

The newly announced prices of Ptas70 per liter for soybean oil and Ptas87 for sunflowerseed oil were believed to be maximum retail prices. The new soybean oil price will be Ptas8 higher than the prevailing price and sunflowerseed oil will be about the same as last year's. Sunflowerseed oil prices were decontrolled in August 1977 and ranged from Ptas87 to Ptas90 per liter.

The trade speculated that the new prices, which went into effect January 1, 1978, would be difficult to maintain at the announced levels and that, if dealers were forced to observe them, shortages probably would occur in the availabilities of all types of edible oils.

At his news conference, the Agricultural Minister acknowledged that the edible oil marketing regulation would impose hardships on both consumers and producers—on the former because edible oil prices would be higher and on the latter because prices would be lower.

"Of the olive sector I ask for a responsible attitude and for acceptance of its share of the sacrifice that democracy demands," the Minister said at his news conference. "To the consumer-housewife, I ask for sympathy, and that she remember when she buy: (olive) oil that there are 800,000 workers and 200,000 families making a living from olive production.

"Also that (consumers remember) the consumption of each liter of substitute oil not produced here (in Spain) means giving money to the U.S. farmer, in the case of soybean (oil), and to the Soviet farmer, in the case of sunflowerseed (oil)."

A week later, 6,000 olive growers, representing the various producing areas of the country, protested against the Government's policies and practices at a rally in the city of Jaen. In addition to demanding the resignation of the Agricultural Minister, the farmers threatened to leave unhar-

Based on reports from the Office of the U.S. Agricultural Attaché, Madrid.

vested the current olive crop, which the trade estimated will crush to between 400,000-500,000 metric tons of oil, a total some 8 percent larger than the previous year's outturn. With the new crop maturing earlier than normal, however, harvesting operations got underway about December 1.

Domestic consumption of olive oil in the 1976/77 marketing year is currently estimated at 285,000 metric tons, an increase of 16 percent over that of the previous year. The trade said this expansion in usage—despite olive oil's high price—was the result of the Government's decision to limit soybean oil consumption to 170,000 tons during 1977. The use of olive oil will probably rise even higher in 1978 in view of the further cut in soybean oil consumption, along with rising prices of competing seed oils, including soybean oil.

Spain produces about 320,000 tons of soybean oil from nearly 2 million tons of imported soybeans and exports that quantity not needed for domestic consumption.

On the basis of preliminary customs data, Spanish exports of olive oil in the first 9 months of the 1976/77 marketing year (November-October) totaled 84,700 tons, 42 percent higher than the 59,600 tons exported in the same period of 1975/76. Exports of olive oil for the full 1976/77 season were expected to reach some 100,000 tons, 24 percent above those of the previous year.

Italy, as usual, was the leading outlet for Spanish olive oil in the first 9 months of 1976/77. Other important markets were Libya and the United States, the latter country taking 10,715 tons of Spanish olive oil between November 1976 and October 1977. □

Italy Strives To Boost Food Self-Sufficiency, Emphasis Put on Meat

By Elmer W. Hallowell

Italy's substantial increases in meat consumption during the past 15-20 years are directly linked to the country's rising incomes and living standards.

As with other countries enjoying a rising level of personal income, Italy has altered its pattern of food expenditures and consumption in two significant ways:

- The share of total expenditures budgeted for food declined from over 46 percent in 1963 to about 35 percent in 1976;
- Consumption of meat increased between 1963 and 1975 both as a share of the food budget and in terms of quantity. Per capita consumption of all meat rose 61 percent, including a 17 percent rise for beef to 22.3 kilograms, 111 percent for pork to 17 kilograms, and 126 percent for poultry to 15.8 kilograms. Per capita consumption of lamb, mutton, horsemeat, rabbits, and animal byproducts increased 61 percent to 10 kilograms.

This tremendous upsurge in meat consumption could not be supplied entirely by Italian agriculture, despite large increases in imports of feedgrains and other inputs.

To fill the supply-demand gap, imports of meat and animals rose dramatically between 1963 and 1976. Because of this explosive increase, Italy's overall agricultural balance-of-trade deficit climbed sharply, reaching a record $6.5 billion in 1976.

While Italy's self-sufficiency ratio for eggs advanced from 96 to 97 between 1966-70 and 1975, the ratio for beef and veal slipped from 61 to 58, pork from 86 to 74, mutton and goat from 67 to 53, poultry meat from 99 to 98, cheese from 90 to 78, and butter from 67 to 58. The use of imported inputs is not reflected in these ratios.

To boost Italy's overall food self-sufficiency ratio to about 90 percent and thereby to reduce the balance-of-payments deficit for food, Minister of Agriculture Giovanni Marcora has proposed the investment of about 9 billion lire in expanded agricultural production over a 5-year period ending in 1981.

Specifically, meat output is to be boosted 32 percent, feedgrains by 38 percent, milk by 11 percent, sugar by 42 percent, wine by 20 percent, and fruit by 4 percent. Minister Marcora has not spelled out the details for accomplishing these goals.

Italy's current food situation, by major argricultural sector:

Beef. The industry has just about held its own—helped by substantial price bonuses resulting from the statutory exemption of producers from the value-added tax and freedom to import ample supplies of feeder cattle.

Until recently, feeder cattle came mainly from Eastern Europe, but after the European Community put strict quotas on imports of non-EC cattle, Italy was forced to switch most of its purchases of feeder cattle to the EC.

During 1976, Italy imported a record 2.4 million head of cattle, mostly for fattening. Italy's domestic herd is about 9 million head.

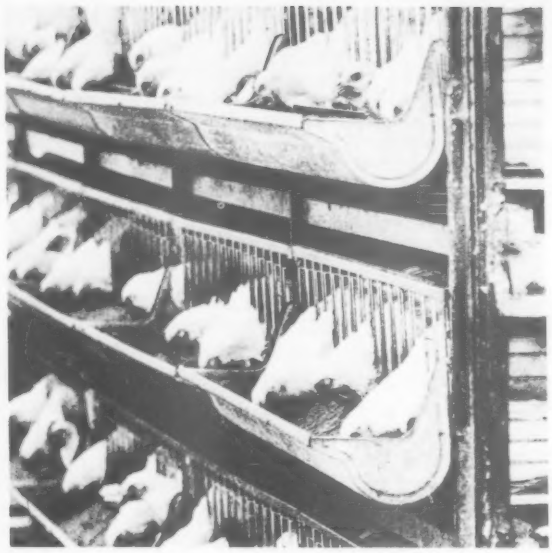
Because about 60 percent of Italy's beef consumption comes from dairy animals and another 20 percent from dual-purpose (dairy-beef) types, aids to the dairy industry indirectly help the beef industry.

Actually, the number of dairy cows has declined in recent years, reflecting the uncompetitive position of Italian milk producers compared with those in France and West Germany. Although recent price increases have improved returns, Italian dairy producers continue to face the competition of fluid milk and dairy products from other EC countries.

However, a rapid expansion in dairy steers for fattening has partially offset the loss of beef from the decline in milk cow numbers. Young dairy bulls now are more likely to end as beef rather than veal. Output of the latter has dropped nearly in half in recent years.

Because of the shortage of pasture land, production of young stock for fattening will continue to be a prob-

The author is U.S. Agricultural Attaché in Rome.



Far left: An Italian consumer purchases a fresh cut of pork in a Rome grocery. Left: Young chickens peck industriously at their mash in an Italian poultry battery. Both pork and poultry are sharing in Italy's expanded meat production.

lem. While it is possible to raise young cattle intensively (the U.S. Feed Grains Council is sponsoring a project to demonstrate the technique), technological, management, and economic problems—particularly the land tenure system—make it doubtful that Italy will make any great strides in becoming more self-sufficient in production of feeder cattle.

Poultry. Italy, which has the highest per capita consumption of poultry in the EC, has expanded poultry meat and egg production enough to keep the country nearly self-sufficient in those products through liberal use of foreign breeding stock, technology, and feedstuffs—much of which was from the United States. Given the high technological level of poultry output, which has made it virtually an industrial process, Italy should be able to maintain its self-sufficiency in poultry meat production.

Pork. Swine production has been growing rapidly in response to strong demand and profitable producer prices that are yet low enough to stimulate pork consumption in competition with beef and other meats.

The substantial financial support given by national and regional authorities to construct new facilities also has helped.

Nevertheless, Italy currently is only supplying about 70 percent of the country's consumption of pork, compared with about 95 percent 10 years ago.

In 1976, Italy imported nearly 700,000 live pigs, almost all from the Netherlands, Belgium, France, and West Germany. The domestic swine herd totaled about 8.7 million head in April 1977.

Continued increases in Italian pork consumption seem likely, but Italy will be hard pressed to maintain its present rate of self-sufficiency. Per capita consumption of pork is only half that of the average for the EC.

Italy's pork production is geared toward the heavier animals required for sausage, salami, and prosciutto, while the consumption increase is largely in fresh, unprocessed pork. Production of the latter is being increased, particularly by the large integrated operators.

There are several potential bottlenecks to large-scale expansion of Italy's swine industry, including:

- Shortages of competent management and dedicated workers at the farm level;
- Animal health problems tend to be more troublesome in swine than in poultry;
- Swine involve greater financial risks because of the considerable investment in each animal;
- Production facilities for young swine need to be improved;
- Smaller litters and longer life cycles of swine pose greater economic risks than in some other EC countries, where litters are 20-50 percent larger and animals are usually slaughtered at about 200 days, compared with about 230 days in Italy.

As in the case of poultry, feed inputs—protein meals and corn, particularly—will continue to be highly dependent upon imports, especially those from the United States.

Technical assistance currently is being provided by the U.S. Feed Grain Council and the American Soybean Association in the areas of swine housing, breeding, and nutrition. Consultants give lectures and seminars, and make some farm visits.

Italy, a traditional importer of sheep in large quantities, in 1976 imported about 1 million head, mostly from Hungary, West Germany, and Bulgaria.

Fat-lamb production is being subsidized in an attempt to boost output. The U.S. Feed Grain Council has employed an Italian sheep consultant for several years in connection with the fat-lamb program.

The principal feeds used in the Italian livestock and poultry industries—corn and soybean meal—have come increasingly from other countries, particularly the United States. Italian production of these commodities has not kept pace with demand.

Italy's corn production—about 5 million tons—is usually matched by a similar volume of imports.

Domestic sunflower production, which has been increasing because of attractive prices, may rise somewhat, but it is likely to be mostly at the expense of other products, since there is little unused good land available. □

Egypt's Dairy Product Imports Rising Rapidly

Egypt's imports of dairy products in 1977 reached an estimated record $70 million value, up from about $46 million in 1976 and only $10 million in 1974.

Striking gains have occurred in the past 3 years in imports of dairy products from the European Community (EC), New Zealand, and Australia. (Imports received through relief agencies are usually not included in Egypt's trade statistics, which are prepared from customs reports.)

Rising incomes, improvement in diets, and new programs to provide milk for school children have bolstered demand for dairy products.

Yet Egypt has little opportunity to expand grazing area for livestock. Expansion of dairies near Cairo and Alexandria will depend heavily upon imported feedgrains and soybean meal.

Most of the milk output in Egypt comes from small and medium-size farms. Rising demand in rural areas makes it difficult for large cities to get more milk from farmers. Large new dairies are needed to satisfy expanding demand for milk in Cairo, Alexandria, and the Suez Canal cities.

Near cities, imported powdered milk is blended with domestic milk to extend fluid milk supplies, which are distributed to consumers in plastic gallon containers.

Imports of powdered milk increased from 3,100 tons in 1974 to about 12,000 tons in 1975. In addition to milk used for blending with local milk in Government plants, powdered milk in cans is imported for sale directly to consumers.

Condensed milk and cream are imported for use in restaurants, hotels, and ice cream factories.

Total imports of nonfat dry milk (NFDM) increased from 4,868 tons valued at $5.4 million in 1974 to 13,681 tons valued at $17 million in 1975.

The bargain imports of 4,597 tons of NFDM from New Zealand in 1976 for $685,000 allowed Egypt to boost imports of NFDM to about 16,000 tons in 1976, but the value fell to only $14 million. Tenders were issued by the Ministry of Supply to import 50,000 tons of preserved milk in 1977.

New Zealand's shipments of powdered milk to Egypt continued to soar in 1977, and European deliveries also increased.

Imports of preserved milk from the Netherlands declined from 5,192 tons in 1975 to about 3,495 tons in 1976, but rebounded in 1977.

Arrivals of dry milk from Belgium in 1976 were about one tenth below the 3,331 tons imported in 1975, but imports from this source also rebounded in 1977.

West Germany sent 670 tons of preserved milk to Egypt in 1976, a drop from 800 tons in 1975.

The United States sent 462 tons of powdered milk to Egypt in 1976, which was about two-thirds the volume delivered in 1975. U.S. exports of NFDM to Egypt in 1977 were about 1,000 tons (P.L. 480 donations).

Imports of powdered milk from the Soviet Union declined from a peak of 487 tons in 1972 to only 100 tons in 1975, and remained the same in 1976. Imports of preserved milk from Czechoslovakia reached 657 tons in 1974 but ended in 1975. Milk imports from the People's Republic of China also have ended.

Egypt's imports of butter and butter oil from the EC rocketed in 1976 and remained strong in 1977.

Belgium sent 8,306 tons of butter and butter oil valued at $13.4 million to Egypt in 1976, while deliveries by the Netherlands reached 2,862 tons, worth $5.6 million.

West German exports of butter to Egypt increased to 1,564 tons in 1976, valued at $5.7 million.

Subsidies provided by the EC and unsatisfied demand for butter in Egypt apparently contributed to development of this new trade flow. France entered the Egyptian market in 1976, delivering 568 tons, valued at $1.7 million.

A tenfold increase in value in 1 year provides a case example of the rapid growth in EC development of export markets—through subsidies

By John B. Parker, Jr., agricultural economist, Foreign Demand and Competition Division; Economics, Statistics, and Cooperatives Service.

UAE Imports Wide Variety Of Agricultural Products

Bolstered by an influx of immigrants, the population of the United Arab Emirates (UAE)[1] swelled to 800,000 in 1977—four times the level of 1971, when the country was formed. This growing population, new port facilities, and rising incomes have been instrumental in boosting UAE food imports from a myriad of sources to a record level.

[1] **A federation consisting of Abu Dhabi, Dubai, Sharjah, Ras-al-Khaimah, Fujairah, Ajman, and Umm-al-Quiwan.**

By John B. Parker, Jr., agricultural economist, Foreign Demand and Competition Division, Economics, Statistics, and Cooperatives Service.

Agricultural imports by the UAE were estimated at $465 million in 1977—16 percent greater than in 1976 and more than twice the $197.4 worth imported in 1974. U.S. agricultural exports to the UAE during January-October 1977 were $10.1 million.

The UAE is one of a few countries to which the United States exports more products than bulk items. Of the $13.2 million worth of farm goods exported to the UAE in 1976, $6.9 million was in consumer-ready items.

Major U.S. export products to the UAE during January-October 1977 included poultry and poultry products, rice, nuts, canned juices, canned vegetables, liquid

—for its farm products.

Total Egyptian imports of butter and butter oil in 1976 were about 18,000 tons, valued at about $29 million—up from only 2,097 tons in 1975 valued at $2.8 million.

Because of the domestic milk shortage, very little butter or cheese is produced in Egypt. Milk output rose slightly from about 1.85 million tons in 1976 to about 1.88 million tons in 1977. Much of this milk was consumed on farms.

About 61 percent of Egypt's domestically produced milk is provided by water buffalo, 38 percent by cattle, and less than 1 percent by sheep and goats.

Production of soft cheese (similar to cottage cheese) has remained relatively steady in the past 5 years in the range of 127,000-129,000 tons annually.

Output of hard cheese declined from 3,554 tons in 1973 to 3,182 in 1974 and remained below 4,000 tons during each of the past 3 years.

Output of processed cheese increased from 4,531 tons in 1973 to about 5,000 tons annually in recent years. Ice cream production rose from 1,224 tons in 1974 to more than 1,500 tons in 1976. Yogurt output is about 2,000 tons annually; butter production is about 1,000 tons annually.

Cheese imports increased from 1,480 tons in 1974 to 3,382 tons in 1975 and nearly doubled in 1976. □

EC Sets Record Barley Subsidy

The European Community (EC) Grain Management Committee (made up of experts from member countries) on January 19 accepted bids covering 60,000 metric tons of barley for export to non-EC destinations.

The maximum export subsidy on these acceptances was set at 69.95 units of account (u.a.), equivalent to about $103.05 per ton. The rate of subsidy is the highest set this season.

The committee started receiving bids in September 1977 for the current marketing year (August 1977-July 1978) against its initial tender of 250,000 tons. The amount tendered has been increased progressively and is now set at 1.5 million tons. The tenders may go as high as 3.2-3.5 million tons.

Bids submitted to the committee are in terms of a subsidy that an exporter will accept from the EC in exporting a stated amount of barley and are submitted in connection with application for an export license. The cumulative licenses issued through January 17 for the 1977/78 season total more than 1.4 million tons, compared with only 10,600 tons issued through the same period in 1976/77. □

beverage bases, and snack foods.

The Emirate of Dubai is a major distribution center for grocers in other emirates. However, new port facilities in Abu Dhabi allow importers to get more of their food directly from foreign suppliers, rather than from distributors in Dubai. New highways from Dubai to the Emirates of Sharjah, Umm-al-Quiwan, Ajman, Ras-al-Khaimah, and Fujairah have helped wholesale merchants capture new business, compensating for the loss of distribution to Abu Dhabi produce grocers.

Imports of agricultural commodities by Dubai are reported in detail, as are reexports, but statistics on shipments to other states of the UAE are less readily available.

Pakistan has been the UAE's major supplier of rice imports in recent years, with some shipments of basmati rice to all seven emirates recorded each year. In 1975 (latest year for which data are available), Dubai imported 48,438 metric tons of rice, valued at $26.6 million. Suppliers of this rice included Pakistan (32,754 tons), India (7,563 tons), Thailand (4,721 tons), and the United States (681 tons).

Australia provides most of Dubai's imports of wheat, wheat flour, barley, beef, and live sheep. In 1975, Dubai imported 8,532 tons of wheat, including 8,337 tons from Australia, and 62,061 tons of wheat flour (44,945 tons from Australia).

Other major sources of wheat flour that year were France (8,999 tons), the United States (4,665 tons), and the Netherlands (1,455 tons). Australia also provides most of the UAE's coarse grain imports, particularly barley.

The European Community, with its subsidized products, is Dubai's major source of dairy products and poultry meat. The Netherlands supplied most of Dubai's imports of condensed and dry milk in 1975. Frozen poultry imports in 1975 were 9,246 tons, valued at $10.2 million. Major suppliers included the People's Republic of China (PRC), 3,025 tons; Denmark, 2,427 tons; France, 1,829 tons; the Netherlands, 514 tons; Brazil, 469 tons; and the United States, 196 tons. In 1976, shipments of frozen poultry by Denmark and France to Dubai more than doubled. The United States has also seen its shipments of frozen poultry to the Emirates skyrocket over the past few years.

South Africa was a top supplier of oranges and apples to Dubai in 1975. But recently, Egypt has become a more important source of oranges, and France was the major apple shipper in 1976.

India was the major supplier of over a dozen items imported by Dubai in 1975. Among these commodities were biscuits, mutton, mangoes, onions, potatoes, tea, cardamom, pepper, turmeric, rice bran, peanut meal, peanuts, pickles, and mango jam. The UAE also imports many of these same items from Pakistan, only in smaller volume.

Saudi Arabia has become a more important supplier of imported food to the UAE in recent years because of its booming vegetable production and improved highway system. In 1975, Dubai imported 5,118 tons of watermelons, including 4,670 tons from Iran and 431 tons from Saudi Arabia. As 1977 arrivals from Iran declined, imports from Saudi Arabia grew. Imports of Saudi tomatoes, potatoes, and lettuce by Abu Dhabi and Dubai increased markedly in 1976 and 1977.

Japan supplies most of the UAE's fruit juice imports, followed by Taiwan, the PRC, and the United States. Major canned vegetable suppliers in the past few years have been the United Kingdom, the PRC, Italy, Spain, India, and the United States. □

Australia's Rice Crop And Exports Mount

Australia's 1976/77 rice production (harvested during April/May 1977) was 530,000 metric tons (379,000 tons, milled), up smartly from the previous year's 417,000-ton crop (298,000 tons, milled).

Exports during 1977/78 (April-March) are forecast at about 300,000 tons, slightly higher than 1976/77's 297,000 tons. Shipments during April-September 1977 totaled 89,000 tons, most of which went to Indonesia and Papua New Guinea, with other large amounts going to Hong Kong and to the Pacific Islands.

Most New South Wales rice exports normally are made in the form of milled rice. However, a sale of 21,000 tons of Calrose brown rice was made to Spain and shipped in September.

Sowing for the 1977/78 crop, to be harvested in April/May 1978, commenced in mid-September under excellent conditions and by the month's end about 75 percent of the area had been sown in the Murrumbidgee and Coleambally irrigation areas. Because of increased use of aerial and sod-seeding methods of sowing, planting progressed rapidly.

The maximum rice areas approved for irrigation water allocations are 65 hectares per farm in the Murrumbidgee, Coleambally, and Tullakool irrigation districts, and 55 or 47 hectares per farm in the Murray Valley districts of Berriquin, Denman, Deniboota, and Wakool.

About 25 new rice farms are expected to come into production this year in the Deniboota and Berriquin districts, and five new farms in the Murrumbidgee district. About 90,000 hectares were sown in New South Wales, with a potential yield of about 500,000 tons of paddy.

Another 3,000 hectares are expected to be planted in Queensland this year. Half of this will be summer crop (December-January harvest) and half winter crop (April-May 1978 harvest). The summer crop is progressing satisfactorily, and good yields are anticipated. Queensland's paddy production for the year is likely to total about 15,000 tons.

The entire New South Wales rice crop is marketed through the Ricegrowers' Cooperative Mills, which handles both domestic and export sales.

Japan Seen Importing More Feedgrains and Wheat

Increased demand from mixed feed producers is expected to boost Japanese imports of feedgrains during 1977/78, including takings from the United States. Growth in wheat imports, however, is expected to be slight as a result of high domestic prices and a slowdown in wheat consumption growth following a 20-year boom.

Encouraged by the margin between production costs and selling prices, operators in all segments of the livestock sector (except layers) plan to expand their operations in 1978.

There are mixed views concerning the extent of this expansion, and estimates range from conservative ones by Japanese Government officials to more optimistic ones from industry circles. However, the consensus is that minimum levels of growth in 1978 will be 7 percent for broilers and beef, 5 percent for hogs, and 2 percent for dairy. No expansion is seen for layers because of tight Government controls.

Feedgrain imports in 1976/77 exceeded 15.8 million tons and are expected to top 16 million tons in 1977/78, with the United States providing a major share in both years. In 1976/77, the United States accounted for nearly 80 percent of Japan's foreign corn purchases of 8.9 million tons and slightly more than 50 percent of its 5-million-ton grain sorghum imports. The United States also shipped minimal amounts of Japan's purchases of 1.7 million tons of barley and 161,000 tons of oats. South Africa and Thailand also were major sources of Japan's corn imports in 1976/77.

Mixed feed production in 1976/77 reached an estimated 18.9 million metric tons, 10.2 percent greater than in the previous season. In 1977/78, total mixed feed requirements are seen exceeding 19.5 million tons. Recent slackenings in wholesale prices for livestock products—particularly dairy steer beef and broilers—may have a dampening effect on this growth, still the continuing strength in consumer preference for beef, pork, and chicken could provide an overall boost in mixed feed usage.

In an effort to reduce Japan's expanding trade surplus, the Government recently decided to purchase an additional 100,000 tons of corn and 30,000 tons of barley by the end of the 1977 fiscal year (April 1, 1977-March 31, 1978). Actual consummation of these sales would bring Government-held stocks above originally planned levels of 200,000 tons for corn and 300,000 tons for barley.

An agreement reportedly signed by the National Federation of Agricultural Cooperative Associations (ZENNOH) and its Brazilian counterpart will strengthen Brazil as a supplier of corn and soybean meal to the Japanese market. Neither the volume to be provided by the Brazilian organization nor the agreement's life has yet been announced. It is reported, however, that Brazil will provide test samples of corn to be tested for quality. It also has been

Export prices are generally in line with values on the world market. The devaluation of the Australian dollar in November 1976 provided a small increase in terms of f.o.b. Australian currency values.

The domestic price for white rice was increased in March 1977 to the equivalent of US$551 per ton for milled long-grain rice, and to $521 for short-grain varieties such as Calrose and Caloro.

These price increases were made under the co-op's policy of maintaining real prices in the domestic market. Domestic prices are substantially higher than export prices, which averaged about $254 per ton, f.o.b., in 1976/77. □

Harvesting rice in Australia's Murrumbidgee irrigation area, New South Wales, where yields as high as 6.2 tons per hectare have been reached.

rumored that ZEN-NOH asked the Brazilian cooperative federation to form an exclusive trading cooperative similar to the Japanese group's trading division, UNICOOP.

In the foodgrain area, in 1976/77 the United States shipped 3.1 million tons of Japan's total wheat imports of 5.5 million tons. In 1975/76, total wheat imports were 5.9 million tons, and the U.S. share was 3.3 million.

Japan's present policy appears to be to limit wheat import growth, if not to actually reduce it. Rice growers are placing tremendous pressure on the Government to use some of the current rice surplus instead of buying foreign wheat, but at the same time, the milling industry reports a noticeable shortage of wheat flour, hindering its ability to meet the growing demand for bread and other wheat products.

To dampen the strong consumer demand for wheat products—and thereby cut imports—the suggestion has been made to boost the domestic resale price of wheat. The Japanese Food Agency wants an increase; the Economic Planning Agency is opposed for fear it would provide a strong upward push to food prices.

The Food Agency also has suggested that the wheat milling industry blend 100,000 tons of rice with wheat beginning in the upcoming 1978/79 Japanese fiscal year. Millers appear resigned to the program, but secondary users, such as bakeries and noodle manufacturers, have initiated strong antiblending campaigns. It now appears that a compromise will be reached between the Government and wheat flour users.

Because Japan's rice crop is normally well above consumption needs, that country has tried a number of programs to cut production. The most active is a diversion scheme under which the Japanese Government pays farmers to plant their land to other crops.

Despite the effort to cut rice outturn, the estimate for the 1977/78 crop is 13.1 million tons (brown basis), compared with a production target of 12.1 million tons. Net area under production is seen to be 2.76 million hectares, about the same as a year earlier, despite a Government drive to divert 195,000 hectares.

The 1977 diversion program achieved 99 percent of its objectives. Land taken from rice production consisted of 64,600 hectares diverted to vegetables; 54,400 to forage crops; 29,100 to soybeans and pulses; and 46,900 to unspecified crops.

The Government's rice production adjustment plan for the 1978 crop is designed to cut output by 1.7 million tons for a crop of 11.7 million tons (brown basis).

To cut Japan's rice surplus, nearly 100,000 tons of domestic rice have been donated to Indonesia under Japan's food aid program. This is expected to replace rice from Thailand. □

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Developing Countries Seen As Growing Markets for Oils

With the oils and fats markets in some developed countries already becoming saturated, future growth of markets for oil products will occur mainly in developing countries as their populations and incomes increase. This prospect emerged in the review of projections to the year 2000 made at the First Consultation Meeting on the Vegetable Oils and Fats Industry, United Nations Industrial Development Organization (UNIDO).

More than 150 participants—representing Government, industry, and labor in more than 50 nations, and representatives of international organizations—attended the meeting held in Madrid in mid-December 1977.

According to conclusions reached at the meeting, meaningful efforts may be needed to substantially increase production of oilbearing materials in certain less developed importing countries as a basic requirement for further development of vegetable oils and fats industries in those countries. Also, new capacities for processing oil-bearing materials in some developing countries may be needed in order to satisfy their domestic needs.

On the other hand, developed countries would continue to replace and expand existing equipment as indicated by market forces. Requirements of these countries for oilcake and meal to expand their poultry and livestock feed industries must be met. Processing capacities in developed countries were designed primarily for temperate-zone seeds, such as soybeans, rapeseed, and sunflowerseed.

Any increase in processing capacity, however, should be based on technical-economic viability factors, such as:

- Adaptation of products to the needs and expectations of markets;
- Availability of adequate and reliable supplies of raw materials for processing;
- Optimum scales of production; and
- Access—under fair international competition—to national, regional, and international markets for the different products.

The question of improving oilseed processing in the rural sectors of developing countries, where it is admittedly less efficient, also was discussed at the meeting. Because of social problems—such as unemployment—that could arise from disrupting traditional processing methods, it was felt that these methods are unlikely to be phased out. But the need to make more efficient use of raw materials in such processes was stressed.

Solvent extraction is considered to be one of the most efficient processes, but it is capital-intensive and needs skilled labor for operation and supervision.

It was also noted that 10 years ago developing countries crushed 82 percent of their seed production, excluding palm oil. This crushing percentage was the same in 1976, despite an almost doubling of seed production.

In the United States, the leading soybean producer, the number of oilseed processing plants has declined in recent years. Nevertheless, the U.S. soybean processing capacity continues to expand as larger mills replace smaller ones.

While some developing countries may want to expand oilseed processing and refining industries, many key obstacles remain. Raw material and capital are frequently in short supply. Location of future viable industries will depend largely on the ability to increase raw material supplies, attract sufficient capital and technology, and, finally, adapt to the needs of the local market.

UNIDO assistance will be provided first to the least developed countries on the basis of requests received. Future UNIDO consultations, if required, are expected to focus on specific country problems or regional issues.

Participation at UNIDO sessions is on an individual basis, and, unlike the general practice, the United States does not accredit an official delegation. □

By George E. Wanamaker, supervisory agricultural economist, Oilseeds and Products Division, FAS.